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Examining the correlation website status and the e-commerce system success:
An Australian Study

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ABSTRACT

Acknowledging that, by using e-commerce systems, firms can deliver information about their products and services, their vision, policy and many others related issues to their existence and potential customers. Typically, the applications that underlie e-commerce systems determine the nature of the product or service offering, the reaction of the customers and the revenue flux accrue to businesses. This designates that the value added by a firm’s website system is a critical concern to both existence and potential customers. Based on the DeLone and McLean’s (1992, 2002, 2003) theory of information system success model, a dichotomous dimensional model for classifying e-commerce website applications/status was developed. The proposed model was tested via surveying small businesses in Australia. The results of this study indicate that the proposed dichotomous classifications of the e-commerce website are meaningful, and unveil that e-commerce success and benefits accrue to firms are determined by the environmental context of the website system applications.

Keywords: E-commerce System Success, Website Status, Small Enterprises, Static Website, Active Website, Quantitative Approach, Structural Equation Model.

1. INTRODUCTION

A plethora of studies assures that lots of remuneration is expected to be obtained by firms from adopting and implementing e-commerce. The benefits range from expanding the firm reach (Evans & Wurster, 2000), improving business productivity and efficiency of gathering information (Watson, 2002), enhancing communication (Iacovou, Benbasat & Dexter, 1995; Scupola, 2001) and gaining competitive advantage (Schuete, 2000; Warrington, Abgrab & Caldwell, 2000). Even so, attainment of these benefits is depending on the efficiency of the e-commerce system applications. The benefits will be accruing to organisations because of extended applications of the e-commerce system. Review of prior studies’ findings show a mix of indications regards the claimed of a connection between the stages of Internet usage and the outcome. In this course, Raymond (2001), Rosenzweig, Roth, and Dean (2003), affirmed that a strong association has been identified between the stages of Internet usage and performance. In contrast, Raymond (2001) remarked that the codification ‘of an association between the stages of Internet usage and the revenue’ is not supported by ‘strong weight of real evidence’. Cunliffe (2000), and Marshall, Sor, and Mckay (2000) stated that some groundwork studies revealed a wide gap between anticipated and actual achievements from the implementation of the e-commerce system. Apparently, the literature claims of an association between the stages of Internet and the performance/revenue suffers from the lack of a solid valid verification, because, such claims is not widely supported by empirical data. Besides, scrutinising of the literature reveals a lack of the existence of a model or models that address the topic of e-commerce success. Literature on e-commerce success reveals that some researchers used Delone and Maclean's model (1992) of information system success; others used the communication and ecological theories (Molla & Licker, 2001). This has pushed Molla and Licker (2001) to come into a conclusion that there is a common shortage of models and frameworks for assessing e-commerce success. Considering these facts, this study is allocated to investigate the influence of the implemented websites on e-commerce system success. It aspires to clarify the fundamental role of website status as a facilitator of the success of the e-commerce in organisations business practice. The focus will only be concerned with small enterprises (SEs) that have more than 5 and less than 20 employees, as defined by the Australian bureau of statistics (ABS 2001, cat. 1321.0). The study endeavours to address various issues in regards to the applications of the e-commerce websites implemented by SEs. Particularly, examine the potential influence of the SEs' website status (applications/functions) on e-commerce system efficiency, usage,
and subsequently the overall net benefits accrued to SEs. Produce a model that reflects the characteristics of the e-commerce system in small businesses milieu. Bridge the gap that currently exists in the literature by investigating the implications of e-commerce system in Australian SEs, and providing SEs the framework, they must follow, when they decide to embrace the online activities or enhance existent e-commerce systems.

2. LITERATURE REVIEW

An e-commerce system can be defined as a computer-based information structure designed to provide customers purposeful information with a simple and easy way to navigate, search, and inquiry to get sufficient relevant answers about the enterprises goods and services in an attractive pleasant atmosphere. This kind of business practice (the internet-based business) has experienced a great expansion since the late of 1990s, because of the rapid development in innovation of information and communication technology. In this study, the website status is defined as the extent of use of the e-commerce system for several different business activities, such as advertising, sales, marketing, information sharing, and other functions (Kraemer, Gibbs, & Dedrick, 2002). Prior studies indicated that the firms’ engagement with e-commerce technology is sequential and progressive (Straub & Klein, 2001; Taylor & Murphy, 2004; Venkatraman, 1994, as cited in Daniel & Wilson, 2002). Moving from a simple structure website, to customer service and personalised models (Hoffman, Kalsbeek, & Novak, 1996; Karagozoglu & Lindell, 2004; Reynolds, 2000). The portal stage, transaction stage and integration stage are the main sequential stages of website level of capability that can be identified. The portal stage begins with simple Internet access for the purpose of communication and web presence. In this stage, organisations treat their website operations as a means of directing traffic to their fundamental business (Evans & Wurster, 1999). The focus of this stage is concerned with attracting new customers (O’Connor & O’Keefe, 1997, as cited in Rao, Metts, & Mora-Monge, 2003), cost cutting, and increasing productivity. The transaction stage begins with establishing an active web presence equipped with the ability to sell and buy, and offering customers a payment facility in a secure environment. The focus here is shifted to improve customers’ services, expanding the customers’ base and managing the supply chain. Integration stage starts when the organisation implements more sophisticated system that enable it to integrate activities, such as, supply chain management and managing the relationships with customers. The organisation aim is to obtain a competitive advantage, by integrating e-commerce into its overall business strategy. During this stage, the new business model will be created with full immersion into the technology, reflecting greater complexity and risk (Straub & Klein, 2001). Nonetheless, in this paper a dichotomy model has been proposed to investigate the interactions between the organisation website capability and the e-commerce success model. Figure 1 below summarises the main criteria of the dichotomous model of the website status that the analysis will be based on.

![Figure 1: The Website Application](image)

Source: developed for this study based on Martin and Malay (2001); Rao, Metts, and Mora Monge (2003); Sekhar (2001); Straub and Klein (2001); Taylor and Murphy (2004)

3. THEORETICAL BACKGROUND

In spite of the fact that the e-commerce system is considered as one of the information systems type. The applicability of the traditional models of information systems success required from researchers to consider the additional business functions that can be performed using e-commerce systems in contrast to traditional
information systems (Cunliffe, 2000). Particularly, with the existence of obvious differences between the information systems models and the e-commerce success models, in regard of their view for the success in terms of the system objectives and the system focus. Hence, to examine the potential influence of the website status on the e-commerce system success among small enterprises, a model that is based on the information systems success has been proposed. The model outlines the main parts of the theoretical framework that are involved in manifesting the potential influence of e-commerce system implemented on small organisations performance. It mainly adopts the basic structure of the Information System Success Model, and modified it to comply with the common perspective of e-commerce system applied by SEs. It is doing that based on the Delone and Mclean (1992, 2002, 2003) theory of information system success model and other studies in this field, which conducted by Kraemer, Gibbs, and Dedrick (2002), Hoffman, Kalsbeek, and Novak (1996), Karagozoglu and Lindell (2004), Reynolds (2000), and Taylor and Murphy (2004). The proposed model was customised by adding two constructs related to the e-commerce website status, which represented in the static website and the active website (Figure 2). The model combined the first layer of the DeLone and McLean's model, regarding the system quality, content quality, and service quality, to form one factor called system efficiency, and combined the second layer of the model (regarding the system use and user satisfaction, to form one factor called system usage. The researcher's objective was to produce a model that reflected the characteristics of the e-commerce system in small businesses context. Besides achieving the goal that this study is willing to achieve regarding assessing the influence of the website status on the small enterprise performance. Figure 2 below summarises the main constructs of the proposed model.

Figure 2: The proposed theoretical framework of the influence of e-commerce website status

Source: developed for this research

4. HYPOTHESES

The following hypotheses are linked to the website status, system efficiency, system usage, and net benefits. Based on literature, the website status refers to the level of utility of the e-commerce website for several different business activities (Kraemer, Gibbs, & Dedrick, 2002). This study advocates that two main sequential stages of website applications can be identified with regard of SEs, which are represented in static website presence and active website presence. Static or passive website refers to the basic Internet access for the use of communication and passive web presence. Static website allows organisations to present information about their businesses and other relevant questions. In fact, the portal website offers organisations the opportunity to have a ‘window to the web’ (Barry, 2000, as cited in Rao, Metts, & Mora-Monge, 2003), and provides SEs an opportunity to expand their market base (Evans & Wurster, 2000). On the other hand, active website refers to more improved website presence, that is, equipped with the capability to sell and buy, by offering customers payment facility in a secure environment. Active website is accommodating with the facilities to conduct online transactions and services. It allows firms
to offer additional function than the static website, by offering the firms opportunities for: (1) selling, buying, and ordering facilities; (2) searching capability and product feedback; (3) and linking information with inventory data. Therefore, based on the prior studies’ findings (Raymond, 2001; Rosenzweig, Roth, & Dean, 2003), it has been suggested that the active website is more likely to influence e-commerce success than the static website. This will lead us to state hypothesis H1 of e-commerce website status.

**H1:** Active websites are more likely to positively influence the efficiency of the e-commerce system than its counterpart the static website.

**Hypothesis linked to e-commerce system efficiency**

The hypothesis related to the e-commerce system efficiency is based on the conceptual foundation provided by DeLone and McLean (2002) reformulated model. According to that model, e-commerce system efficiency is conceptualised at three different issues related to system quality, content or information quality and service quality. System quality is related to the system operational effectiveness. It is concerned with the function provided by the website, such as accessibility, ease of navigation, access to information and ability to load quickly, appearance attractiveness, secure and privacy policy, system design and accessibility (Han & Noh, 1999; Turban & Gherke, 2000). Content or information quality refers to the characteristics and manifestation of information of the system (Cunliffe, 2000; Dedhia, 2001; Savin & Silberg, 2000; Von Dran, Zhang, & Small, 1999). It is concerned with the information logical organisation, easy to comprehend, accurate, comprehensive and reliability and clarity, relevance and currency. Service quality refers to the system use in delivering the adequate performance to enhance the business operation. It is particularly concerned with responsiveness, prompt assistance when needed, follow-up services, quality of responses to frequently asked questions and tracking orders. Hence, based on the prior studies’ findings (Evans & Wurster, 2000; Iacovou, Benbasat, & Dexter, 1995; Raymond, 2001; Rosenzweig, Roth, & Dean, 2003; Schuete, 2000; Scupola, 2001; Warrington, Abgrab, & Caldwell, 2000; Watson, 2002) and the theoretical framework model proposed for this study. It has been suggested that a better efficiency of the e-commerce system quality is more likely to lead to a better e-commerce system usage. This will guide us to state hypothesis H2 of e-commerce system competency, which is devoted to assess the correlation between the e-commerce website efficiency and the usage of the e-commerce system applied.

**H2:** The more efficient the e-commerce system, the more likely it will positively influence the e-commerce system usage.

**Hypothesis linked to usage of the e-commerce system**

Usage of the e-commerce system in this research includes two key variables related to the system actual use and customer’s satisfaction due to the use. The use terminology in this study is related to customers’ behaviour regarding the number of website visits, the length of stay at a particular site, the number of purchases completed, and retrieval and execution of a transaction. It is mainly, concerned with the use of the output of the e-commerce website by customers. Use represents one of the most critical factors employed to evaluate the success of information and e-commerce systems (Young & Benamati, 2000). Meanwhile, user/customer satisfaction refers to the valuation of the reaction or feeling of a customer. It related to his/her experience with all aspects of an e-commerce system put in place by an organisation to market its products and services (Seddon, 1997; Spreng & Mackoy, 1996). User satisfaction is completely connected to improve the wealth of the organisation (Meuter, Ostrom, Roundtree, & Bitner, 2000; McColl, Kennedy, & Schneider, 2000; Naumann, Jackson, & Rosenbaum, 2001), as use and user satisfaction are influencing the organisation’s net benefits. Net benefits refer to positive or negative effects of the implemented system on the organisation efficiency and operational productivity, from the perception of the system adopter (DeLone & McLean, 1992; Jarvenpaa & Ives, 1991). This construct is measured through various variables related to the organisations context, which directed toward assessing the actual achievement or net benefits. Hence, based on the prior studies’ findings (e.g. Evans & Wurster, 2000; Raymond, 2001; Rosenzweig, Roth, & Dean, 2003; Schuete, 2000; Scupola, 2001; Warrington, Abgrab, & Caldwell, 2000; Watson, 2002), and the theoretical framework model proposed for this study, it has been suggested that, the more usage of the e-commerce system is more likely to affect positively the net benefits. This will guide us to state hypothesis H3 of e-commerce system usage, which is devoted to assess the correlation between the usage, and the net benefits.

**H3:** The more the usage of the e-commerce system the more likely it will positively influence the e-commerce system success and subsequently the organisation’s net benefits.

Figure 3 outlines the hypotheses that are postulated to influence the SEs’ net benefits due to the status of the e-commerce website applied.
5. RESEARCH METHODOLOGY

Recognising that, the appropriateness of a research approach is driven by the nature of the social phenomena to be explored (Easterby-Smith, Thorpe, & Lowe, 2002). The aim of this study to obtain a broad perspective of the SEs managers' beliefs and attitude towards e-commerce website application, will be explored by testing existing theories, such as the social cognitive theory ‘self-efficacy beliefs’ (Bandura, 1991, 2001) and the information system success model (DeLone & McLean, 1992, 2002, 2003). It achieves that, with a quantitative approach, relying entirely on primary data, and utilises the questionnaire survey, as the most appropriate tool that can offer an explanation of the research methods. The questionnaire was designed to gather information of attitudes and perceptions of the participants’ organisations about various statements related to e-commerce system impact. All items were measured with a seven-point Likert scale. A convenience sampling method was employed in this research, participants’ SEs were randomly selected from the Australian Yellow Pages. The mail survey was selected as being the most suitable method for collecting original data describing a large population (Babbie, 1990). This method is considered a practical tool in gathering information related to the beliefs, values, attitudes and perceptions of the respondents (Hair, Bush, & Ortinau, 2003). It also has an efficient mechanism for data collection when the researcher knows exactly what is required and how to measure the variability of interest (Sekaran, 2000). The questionnaires were distributed to managers of the selected small enterprises. Data collected from the questionnaires was then edited, coded, entered into the statistical program ‘Statistical Package for Social Sciences’ (SPSS), and then cleared. To ensure that the data obtained is complete, accurately entered and arranged to facilitate analysis operation. Inferential analysis was conducted to find out the relationship between e-commerce website status as two separated dependent variables and the predictors independent variables. The main inferential statistical technique employed to test the hypotheses is structural equation modeling.
The overall level of e-commerce website efficiency, usage and e-commerce system success are measured against various criteria based on prior studies by Bellman (2001), Deeter-Schmelz and Kennedy (2004), Fellenstein and Wood (2000), Hassan and Li (2005), Joseph, Cook, and Javalgi (2001), Kalakota and Robinson (2001), Kambil (1995), Karagözoglu and Lindell (2004), Karayanni and Baltas (2003), Korper and Ellis (2001), Pavlou (2003), Riquelme (2002), Schneider and Perry (2000), Schuete (2000), Sekhar (2001), Straub and Klein (2001), Straub, Limayem, and Karahanna-Evaristo (1995), and Warrington, Abgrab, and Caldwell (2000). Evaluation of e-commerce system quality was based on: (1) accessibility, ease of navigation, access to information, ability to load quickly; (2) appearance – attractive; (3) secure; (4) privacy policy. Evaluation of e-commerce information quality was based on: (1) appropriate information logically organised; (2) easy to understand; (3) accurate, adequate, comprehensive, reliable, concise, and clear; (4) relevant; (5) current/current. Evaluation of e-commerce service quality was based on: (1) responsiveness, receive assistance and follow-up services promptly; (2) answer frequently asked questions; (3) track orders. Evaluation of e-commerce system use was based on: (1) number of customer purchases completed; (2) number of customer navigations. Evaluation of e-customers satisfaction was based on: (1) customers’ satisfaction with information provided by the company’s website; (2) customers’ satisfaction with services offered by the company’s website; (3) customers’ overall satisfaction with company’s website. Evaluation of e-commerce system net benefits was based on criteria of: (1) increase customers’ base; (2) decrease transactions’ cycle time; (3) cost reductions (search cost, communication, time saving); (4) improve trading relationships; (5) increase sales; (6) increase business’ competitive position; (7) increase business’ profits; (8) increase business’s staff productivity, change in working hours, change in number of workers; (9) decrease inventory investment; (10) and improve customers’ service. Evaluation of the passive or portal website was based on: (1) display company information; (2) display brochure and product information; (3) display contact information and feedback. Evaluation of the active or transaction integration website was based in addition to having all portal stage characteristics on the ability to: (1) sell and buy online, utilise ordering, and payment facilities; (2) receive product feedback; (3) utilise search capabilities; (4) and provide after-sales customer service and support.

6. TESTING OF HYPOTHESES

A structural equation model (SEM) method is used to analyse the potential interrelationship of proposed model constructs. This method is considered a good tool to examine models containing complex relationships when a set of structural linear equations exist, irrespective of whether the variables in the equations are observed or latent (Garson, 1998, 2008, 2009). SEM is a theory-based approach that is governed by hypothesis rather than experiment (Hair, Black, Babin, Anderson, & Tatham, 2006). The tested model contained four independent factors (static website, active website, system efficiency, and system usage), and one dependent factor (net benefits). Each of these factors was represented in a cluster of predictors.

Collected data have passed various tests to make sure that they are suitable and ready for inferential analysis. The assumption of multivariate normality and linearity were evaluated through SPSS using the techniques described by Tabachnick and Fidell (2007). This was completed by calculating z-scores or standard scores for each item on those variables, and calculating mahalanobis distance for each factor using data from variables of each set of the four factors. The issue of missing data was addressed and a replacement of the missing data was applied using series mean method. Ultimately, using data from 201 respondents, a confirmatory factor analysis, was performed using AMOS (Analysis of Moment Structures) on the twenty one sub-tests of the website function. The hypothesised model (model 1) is shown in Figure 4, where circles represent latent variables and rectangles represent measured variables. The measurement errors are enclosed by smaller circles and indicate that some portion of each observed variable is measuring something other than the hypothesised factor. The following abbreviation sub-tests serves as indicators of: (1) the static website factor (stat1_f, stat2_f and stat3_f); (2) the active website factor (stat4_f, state2_f, state3_f, act1_f, act2_f, act3_f, and act4_f); (3) the system efficiency factor (syst1, info1 and srv1); (4) the system usage factor (sat1_sqf, sat2_sqf, sat3_sqf, q13_a_1, q13_b_1, q13_c_1 and q13_d_1); (5) the net benefits factor (be1_lnf, be2_sqf, be3f, be4f). The four factors hypothesised to be connected with single head arrows imply a hypothesised direct effect.

**Model estimation (model 1)**

Maximum likelihood estimation was employed to estimate all models. The independence model tested the hypothesis that all variables are uncorrelated was easily rejectable, $X^2(210, N = 201) = 3104.56, p < .001$. The hypothesised model was tested next and support was found for the hypothesised model. Goodness of fit related to this five factors model, $X^2(182, N = 201) = 374.63, p < .001$, comparative fix index (CFI) = .85; and the root mean square error of approximation (RMSEA) = .07. A chi-square difference test indicated a significant improvement in fit between the independence and the hypothesised model. The model $p$ value is less than .05, so the test agrees in rejecting the null hypothesis at the .05. Nonetheless, since the RMSEA for this model is
.07 > .06, the tucker-Lewis index is .92 < .95 and the comparative fix index = .85 < 90, the model does not fit well according to the accepted measures of fit recommended by Hu and Bentler (1995, 1999).

The next task was to identify any area of misfit in the model as recommended by Joreskog (1993). In this regard, two types of the model output information, the standardised residuals covariance and the modification indices were examined, to detect any possible misspecification. Consequently, post hoc model modifications (model 1a) were performed in an attempt to develop a better fitting and possibly more parsimonious model (Figure 5). The model 1a, $X^2 (172, N = 201) = 228.40$, $p = .001$, with a ratio of 1.31 < 2 represent an adequate fit (Byrne, 1989). The root mean square residual (RMR) = .03 < .05, indicates a good fitting model, which means that the model explained the correlations within an average error of .03 (Hu & Bentler, 1995). The goodness of fit index (GFI) = .91, which is close to 1 indicate a good fit (Hu & Bentler, 1995). The comparative fit appendix CFI = .98 < 95, is considered representative of a well-fitting model (Hu & Bentler, 1999).

Figure 4: Hypothesised CFA model (model 1)

Root mean square error of approximation RMSEA of .04 .06, indicate a good fit (Hu & Bentler, 1999), the Tucker-Lewis Index TLI = .98 .95, indicates of good fit (Hu & Bentler, 1999). The noncentrality parameter NCP = 54.40 with a confidence interval of 19.29 and 97.62 indicates that we can be 90% confident that the population value of the noncentrality parameter lies between 19.29 and 97.62. Given the lower ECVI value for the default model (1a) compared with the saturated model and the independence model, we conclude that it represents the best fit to the data. The expected cross-validation index (ECVI) is considered as a means of assessing in a single sample the likelihood that the models cross-validates across similar-sized samples from the same population (Browne & Cudeck, 1989, 1993 as cited in Schumacker & Lomax, 2004, p. 240- 254; Byrne, 2001, p. 86). A Chi square difference test indicated that the model1a was significantly improved by addition of those paths, $X^2$diff $(8, N =201) = 146.23$, $p =.001$. Because post hoc model modifications were performed, the squared multiple correlation among the model (1a) factors and the hypothesised model factors were inspected, where parameter estimates were hardly changed despite modification of the model. The size of the correlated error associated with items is considered substantially large. In addition, testing the standardised and unstandardised values of the factor loading
estimates revealed that both are mainly substantively reasonable and statistically significant. The only exception for this rule was static website and system usage. Variance and covariance estimates were statistically significant as well as substantively reasonable.

7. FINDINGS

The values associated with each path in Figure 5 are unstandardised regression coefficient. These values represent the amount of change in the dependent variable per single unit change in the predictor. As shown in Figure 5, the unstandardised regression coefficient of the static website variable was 0.23. This result suggests that for every single unit of increase in the static website level, the system efficiency increases by 0.23 units in the small business population. The unstandardised regression coefficient of the active website variable was 4.29. This result suggests that for every single unit of increase in the active website level, the system efficiency increases by 4.29 units in the small business population. The unstandardised regression coefficient of the system efficiency variable was 0.22. This result suggests that for every single unit of increase in the system efficiency, the usage increases by 0.22 units in the small business population.

Meanwhile, the unstandardised regression coefficient of the system usage was 0.23. This result suggests that for every single unit of increase in the system usage, the net benefit increases by 0.23 units in the small business population. Consequently, both the static website and active website were seen to have had an unequal impact on system efficiency. The SEM results indicate that: (1) the static website has a considerably lesser significance impact on system efficiency, than the active website; (2) system efficiency has a considerably significant impact on system usage; (3) and the system usage in turn, has a considerably significant impact on system net benefits. This means, the more functions the e-commerce system (website status) can offer, the more impact on the system efficiency, system usage and subsequently net benefits the organisation will gain.

Figure 5: Modified CFA model with significant coefficient presented in unstandardised forms (model 1a)

Source: created for this research

The result of the analysis of the website status revealed support for hypotheses H1, H2, and H3 as detailed in Figures 5. It reveals that hypotheses: (1) H1 was found that the active website has a higher significant impact
on the system efficiency than its counterpart the static website (refer to Figures 5); (2) H2 was found that the system efficiency has a significant impact on the system usage (refer to Figures 5); (3) and H3 was found that the system usage has a significant impact on the net benefits (refer to Figures 5).

8. DISCUSSIONS
The findings of this study revealed that system efficiency was significantly influenced by the status of the implemented website (whether it is static or active) and its various applications. System efficiency in terms of system quality, information quality and services quality was found to be a significant predictor in influencing the system usage. System usage was found to be a significant predictor in influencing the organisational net benefits (Figure 5). These finding is correspondent with prior studies, which suggested that: (a) a strong association had been identified between the stages of Internet use and the organisation performance and subsequently the input the Internet adds to organisation bottom line (e.g. Raymond, 2001; Rosenzweig, Roth, & Dean, 2003); (b) system efficiency contributes to achieve higher visibility, better advertising and promotion activities, and enhances customer’s services (Fellenstein & Wood, 2000); (c) a strong association had been identified between the stages of the Internet usage and its performance (e.g. Raymond 2001; Rosenzweig, Roth, & Dean, 2003). This result verified the literature claims that sale growth and profitability can be adversely affected by websites that do not function properly, that is, businesses can lose as much as 40 percent of ‘repeat end-user traffic’ (Fellenstein & Wood, 2000). As long as, potential customers will judge the organisation's e-commerce website they visit, by the ability of the website to offer the most convenient functions that satisfy their needs (Savin & Silberg, 2000). As the table (5) shows the results of the unstandardised regression coefficient analysis of the active website is 4.29, the static website is 0.23. These results clearly showed that the active website has a considerably higher positive significance influence on system efficiency than its counterpart the static website. The system efficiency has a significant influence on the system usage, and in turn, the system usage has a significant influence on the net benefits that the organisation can achieve.

The findings of this study affirm that the e-commerce website status is playing the key role as a determinant for the success of the e-commerce system in small enterprises. The research's findings have offered an empirical support on a national level among Australia for the influence of the website status on the system efficiency, the system efficiency on the system usage, and the system usage on the net benefits. The findings of this study unearth that the better the level of improvement of the website status of the e-commerce system, the better results regarding usage and net benefits, and subsequently a better opportunity of success for the e-commerce system. This study as well, offered a practical support for the creation of model that clarifies the impact of the website status on the system success. The model tested in this study can serve up as a reference source for practitioners and academics alike in better understanding of impact of the e-commerce system applications, and grant them the appropriate recommendations based on the empirical findings. It clarifies the overall picture of how the status of website can affect the expected outcomes of the implemented e-commerce system, and presents small enterprises useful information for enhancing their understanding of e-commerce and its anticipated results. It also provides insightful information about the pathway that small enterprises must be followed to yield the desirable benefits, with respect of the sales and net revenue.

The findings of this study has outlined the path that policy makers, and business practitioners must be observed when developing future strategy/ies to promote e-commerce within SEs. The findings show clearly that implementing the appropriate website system by means of: (1) a clear developed online strategy; (2) a relevant website that reflects the business's strategy; (3) the website should be frequently updated and present current information about the SE’s products and services. Would offer SEs the opportunity to achieve their desires, which is to survive in increasing tough competitive marketplace. The findings of this study can be used as a basic background that offers ongoing advice and support to developing future strategy/ies to establish, promote, and enhance e-commerce adoption and implementation.

9. CONCLUSION AND SUGGESTIONS
This study might experience diverse limitations that could affect the overall validity and reliability of its findings. Those limitations could arise from the theoretical, procedural, and methodological approaches applied in the research. The principal limitation of this study being a cross-sectional is related to the nature of the mail survey used to collect the data. This limitation is attributed to the likelihood that respondents’ answers may not reflect precisely the outcome figure of actual benefits they attained. The probability of response bias, which could exist because of the participants' tendency to respond to questions in a certain way, might misrepresent or misconstrue facts (Zikmund, 2003). This problem would attribute to the characters of the SEs' decision makers being busy people, and so they have limited time to answer the survey questions accurately. Likewise, because
we are unable to determine the person who completed the survey is? This also adds problems to the accuracy of the research’s findings. Besides, SEs mainly owned and operated by family members who might possess high professional skills with little or no formal education might make them unable to interpret the actual outcome of e-commerce system. Also, the sample method utilised to identify the SEs who participated in this research was not based on a strictly random sample, due to the absence of complete list accounting for all Australian SEs. The selected sample of participants’ SEs was based on a convenience sample method, where the selection here is purely subjective and arbitrary. This non-probability sampling method suffers from problems of extreme bias, which raised the question concerning its appropriateness, and how equitable the results would be in representing the entire SE population. Nonetheless, various procedures have been applied to ease and/or diminish the effect of these limitations. Those procedures are reflected in selection of the most appropriate paradigm for this study, selection of the quantitative research approach, sampling process, questionnaire design, determination the data needed and construct operationalisation, determination of measurement scale applied, and the judgment of the quality of the survey research method by constructing validity and reliability. Consequently, we believe that the research has projected and examined a number of significant factors that affect e-commerce system success.

The findings of this study shows how the functions that the website can provide will determine the success of the implemented e-commerce system in bringing small enterprises the benefits they desire. SEs must be aware that: (1) the website system quality must be accessible, ease of navigation, attractive and secure; (2) the website information quality must be accurate, comprehensive, reliable and clear, relevance and current; (3) the website service quality must be responsiveness, prompt, offering follow-up services and excellence of responses to frequently asked questions. Accordingly, SEs who have adopted e-commerce or on the brink to adopt e-commerce should be fully understood that the website status of the e-commerce system adopted will contribute significantly to the net benefits they expected from adopting e-commerce. Thereby, SEs should have the precise answers on the following questions:

- What system quality might make their websites effective and attractive?
- What information quality is ideal to be presented for their websites?
- What services quality the website should provide to satisfy customers needs?

Still, this study demonstrated that the website of e-commerce system is an inevitable phenomenon that the businesses of all types should be aware about its impact. For that reason, to be able to gain the most benefits of e-commerce, businesses in general and SEs in specific should think through the following suggestions:

- Implement the e-commerce system that suits your business activities.
- Constantly update your website capability.
- Monitor the development in e-commerce innovation and how it can be leveraged, if possible to improve the current business practice.

Nonetheless, further research efforts are required to shed more light on the influence of website status on the e-commerce system efficiency, usage and subsequently the overall success of the e-commerce system. Likewise, this study has illuminated the effect of the website status of the e-commerce system on a limited extent, by investigating two categories of the website status (active and static). Extending the examination of any future research on website status to include other categories, such as the integration stage would help to clarify the influence of the website status on the e-commerce success. This research has assessed the influence of the website of e-commerce system in Australian SEs based on the perception of SEs manages/owners. Future studies that look into the influence of the website of e-commerce system in Australian SEs based on customers’ perception, would be of great benefits in supporting the result of this research. Besides, various opportunities are exist for future studies to address the above mentioned limitations, by trying to avoid them or as many as possible are emerging. Additional empirical investigates that illuminate further the impact of the website status on the e-commerce system success are required for validating the findings of this study. Whether, the results of such studies are support or refute the claims of this research, they will provide further theoretical and practical contributions to the knowledge of e-commerce and website applications.

REFERENCES


Is Customer Satisfaction an Indicator of Customer Loyalty?

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ABSTRACT

Customer satisfaction and loyalty is a well known and established concept in several areas like marketing, consumer research, economic psychology, welfare-economics, and economics. And has long been a topic of high interest in both academia and practice. The aim of the study was to investigate whether customer satisfaction is an indicator of customer loyalty. The findings of the study supported the contention that strong relationship exist between customer satisfaction and loyalty. However, customer satisfaction alone cannot achieve the objective of creating a loyal customer base. Some researchers also argued, that customer satisfaction and loyalty are not directly correlated, particularly in competitive business environments because there is a big difference between satisfaction, which is a passive customer condition, and loyalty, which is an active or proactive relationship with the organization.

Keywords: Customer satisfaction, customer loyalty, switching cost, loyalty programme, consumption experience, word-of-mouth, customer value

1. INTRODUCTION

Customer loyalty has long been a topic of high interest in both academia and practice, and a loyal customer base has been found to be beneficial to the firm. Most companies strive for customer loyalty as the competition in most sectors grows tighter, both the importance of, and the challenge in, keeping customer loyalty increases. Indeed, customer satisfaction has for many years been considered as key factor in determining why customers leave or stay with an organization. Therefore, organizations need to know how to keep their customers, even if they appear satisfied. Every organization has come to realize that in order for it to survive, let alone grow, it has to acquire and then retain profitable customers. And it is loyal customers that generate increasing profits for each additional year they are retained. Customer satisfaction is not a guarantee of repeat patronage. Satisfied customers jump ship every day, and the reasons are not always due to customer dissatisfaction, some customers are lost due to indifference which arises from pure neglect (Michael et al., 2008).

Customer satisfaction is the heart of marketing. The ability of an organization to satisfy customers is vital for a number of reasons. For example, it has been shown that dissatisfied customers tend to complain to the company and in some cases seek redress from them more often to relieve cognitive dissonance and bad consumption experiences (Oliver, 1987; Nyer, 1999). If service providers fail to properly address such behavior, it can have serious adverse effect. In extreme cases of dissatisfaction, customers may resort to negative word-of-mouth as a means of getting back to the company. Reichheld (1996) posits that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere or if the switching cost is high. Additionally, satisfied customers may seek for competitors because they believe they might receive better service elsewhere.
Customer retention is a function of other factors other than customer satisfaction. These include a wider variety of product choices, greater convenience, better prices, and enhanced income (Storbacka et al., 1994). Therefore, many researchers consider customer satisfaction to be the best indicator of a company’s future profit and competitiveness. The outcomes of customer satisfaction include customer loyalty (Bei and Chiao, 2001). In the consumer marketing community, customer loyalty has long been regarded as an important goal of any corporate entity (Reichheld and Schefter, 2000). And as such both marketing academics and professionals have attempted to uncover the most prominent antecedents of customer loyalty.

Researchers have found a strong relationship between customer satisfaction and loyalty. For instance, Szymanski and Henard (2001), in their meta-analysis study, indicate 15 positive and significant correlations between the two constructs. Bearden and Teel (1983) have also shown a relationship between satisfaction and loyalty. In fact Jones et al., (1995) argued that this relationship is not a simple linear one; the resulting behaviors may depend on consumer attributions, (i.e. their belief in the causes of the customer satisfaction and dissatisfaction assessment).

Quite understandably, marketing practitioners have often lay claim with customer satisfaction, using slogans such as “Our focus is customer satisfaction”, or “The customer is a king” “Customer is our reason for being in business.” etc. The importance of customer satisfaction inform the study carried out by the University of Michigan which tracks customers across 200 firms representing all major economic sectors to produce the American Customer Satisfaction Index (ACSI). Each company receives an ACSI score computed from its customers’ perceptions of quality, value, satisfaction, expectations, complaints, and future loyalty (Fornell et al., 1996). According to Boselie, et al., (2002) satisfaction is a positive, affective state that results from the appraisal of a working relationship between parties. Customer satisfaction is defined by Oliver’s (1997) as the consumer’s fulfillment response. It is a judgment/assessment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption related fulfillment. In other words, it is the overall level of contentment with a service/product experience. Bitner and Zeithaml (2003) opined that satisfaction is the customers’ evaluation of a product or service in terms of whether that product or service has met their needs and expectations.

Customer loyalty can seem elusive and magical to those trying to obtain it. However, there are a lot of good reasons for businesses to pursue customer loyalty as a strategic objective. Customers are expensive to acquire; keeping them loyal allows you to amortize acquisition costs. Loyal customers are often willing to pay premium prices. For example, some of the important attitudes and behaviors expected of a loyal customer include:

- Likelihood to recommend company products and services to others.
- Likelihood to continue purchasing the company products and services, at minimum, at the same level.
- Likelihood of purchasing other products and services the company offer.
- Believing company products and services are superior to competitors.
- Not actively seeking alternative service providers.
- Providing the company with opportunities to correct problems and not using these as a basis for compromising the relationship.

Numerous studies have pointed out that two of the most effective means of generating customer loyalty are to delight customers (Oliver, 1999; Lee, et al., 2001) and to deliver superior customer value derived from excellent services and quality products (Parasuraman and Grewal, 2000). In addition, some scholars argue that switching costs, is a key moderating variable, and can significantly influence customer loyalty through such determinants as customer satisfaction (Fornell, 1992; Oliver, 1999; Lee et al., 2001) and perceived value (Woodruff, 1997; Neal, 1999).

Customer loyalty can be defined as the adherence of customers to a company. Even if businesses make mistakes, loyal customers will not leave. Kincaid (2003, p.10) defines customer loyalty “as a consumer behavior, built on positive experience and value, which leads to buying products, even when that may not appear to be the most rational decision”. Furthermore, the concept was later divided in to behaviouristic and non-behaviouristic dimensions where the latter is more focused on the underlying causes of customer loyalty.
and attitudes of consumers (Peppers and Rogers, 2004). So, in the investigation of customer loyalty, it is valid to explore two fields: the behavior of consumers and their intentions (Schweizer, 2008).

Stone et al., (2000) posits that customer loyalty is also dependent on a number of customer related factors, i.e. how customers perceive the business rather than what the business really does. Given all these benefits, it’s only natural that businesses should turn to a diverse range of tools to develop customer loyalty. And every company seems to have a different formula for making that loyalty happen. Such initiatives include creation of valuable customer experiences, creation of resonant brand, proactive marketing initiatives, quality control processes, and customer relationship management.

The common thread here is that the experience the customer ultimately has with the business, if it is positive creates the emotional bond that leads to customer loyalty. But something is missing from this assertion. What about the product itself? What role does it play in creating customer loyalty? Of all the touch points customers have with the company, the company’s product is the one touch point with which they are likely to spend the most time. The product is also the touch point likely to create the strongest emotional reaction, because it is the customer experience with product that customers use to portray the company brand and image.

Although, it is widely acknowledged that customer satisfaction is a driver of customer loyalty. However, a number of contributions to the services marketing literatures over the past decade have called this into question and empirical studies have begun to demonstrate service contexts in which customer satisfaction and loyalty do not always correlate positively (Silvestro and Cross, 2000; Kamakura, 2002; Pritchard and Silvestro, 2005). However, most of these empirical studies have been based on business to consumer (B2C) contexts, and on latitudinal rather than longitudinal data.

The term customer loyalty was widely researched in 1990’s but considerably fewer investigations were conducted in later periods (see for example, Heskett et al., 1994, Rucci and Kirn, 1998, Reichheld and Markey, 2000; Vandermerwe, 2000; Frederick, 2001, Reichheld, 2004). Also, moderate amount of empirical research has been conducted to examine the relationships among customer loyalty, satisfaction, switching costs, and customer value. And to date very few empirical studies has investigated these constructs in a single framework. And the complicated interrelationships among these constructs have not been fully uncovered and understood (Reichheld and Sasser, 1990; Jones and Sasser, 1995).

Therefore, the current study seeks to address some of these gaps and offers further theoretical insight and contribution into the contention that customer satisfaction is an indicator of customer loyalty.

2. CONCEPTUAL BACKGROUND

Customer loyalty has been studied since the 1950s (see Jacoby and Chestnut 1978 for a review). Customer satisfaction remains a worthy pursuit among the consumer marketing community (Oliver, 1999). Certainly, customer satisfaction is a critical focus for effective marketing programs. According to Yi (1991) customer satisfaction is a collective outcome of perception, evaluation and psychological reactions to the consumption experience with a product or service. Customer satisfaction is regarded as how customers can get more benefits than their cost (Liu and Yen, 2010). Customer satisfaction plays the most important role in total quality management. And in comparison with other traditional performance measures, customer satisfaction is probably less sensitive to seasonal fluctuations, changes in costs, or changes in accounting principles and practices (Kotler, 2006).

Some researchers (Parasuraman, et al., 1988; Cronin and Taylor, 1992) consider overall satisfaction to be the primary function of perceived service quality. Among the more popular measures of customer satisfaction, two widely employed approaches are transaction-specific and cumulative or overall satisfaction. The transaction-specific approach defines customer satisfaction as an emotional response by the consumer to the most recent transactional experience with an organization (Oliver, 1993). The associated response occurs within the time frame of consumption, after the choice process has been completed. The affective response on the other hand varies in intensity depending upon the situational variables that are present. Compared to transactional-specific satisfaction, overall satisfaction reflects customers’ cumulative impression of a firm’s service performance.

On the other hand, the overall satisfaction perspective views customer satisfaction in a cumulative evaluation fashion that requires summing the satisfaction associated with specific products and various facets of the firm. Satisfied customers tend to have a higher usage level of a service than those who are not satisfied (Ram and Jung, 1991; Bolton and Lemon, 1999). They are more likely to possess a stronger repurchase intention and to
recommend the product/service to their acquaintances (Zeithaml et al., 1996). Numerous studies have also revealed that customer satisfaction positively affects loyalty (Zeithaml et al., 1996; Bloemer, et al., 1999; Oliver, 1999).

As identified by the researchers that customer loyalty as a construct is comprised of both customers’ attitudes and behaviors. Customers’ attitudinal component represents notions like: repurchase intention or purchasing additional products or services from the same company, willingness of recommending the company to others, demonstration of such commitment to the company by exhibiting a resistance to switching to another competitor (Cronin and Taylor, 1992; Prus and Brandt, 1995; Narayandas, 1996), and willingness to pay a price premium (Zeithaml, et al., 1996). On the other hand, the behavioral aspect of customer loyalty represents- actual repeat purchase of products or services that includes purchasing more and different products or services from the same company, recommending the company to others, and reflecting a long-term choice probability for the brand (Feick, et al., 2001).

The behavioral typology to customer loyalty is primarily concerned with measures of repeat purchase, proportion of purchases etc. Although, this is considered to be a relevant measure, the main criticism of this typology is that it does not include the customer’s motives for their behavior. Therefore attitudinal approaches to loyalty have been developed. While a behavioral approach to loyalty is still valid as a component of loyalty, it is argued that attitudinal approaches to loyalty should supplement the behavioral approach (Samuelson and Sandvik, 1997). The attitudinal typology includes, for example, measures of commitment and trust.

3. METHODOLOGY AND METHOD

3.1 Corelational Research Method

To achieve the study objective, the researchers adopted co relational research method, using qualitative research approach. The study explored and established the existence of relationship/interdependence between customer satisfaction and customer loyalty. Previous published studies, articles, books etc on the subject matter was thoroughly reviewed to gain a deeper understanding and insight in what earlier researchers have said, done and come up with. The major advantage of using secondary information is that much of the background work needed has already been carried out and have been already used and established by other researchers for a similar or different researcher purposes (Harris, 2001).

4. DISCUSSIONS AND CONCLUSION

Customer satisfaction is a popular concept in several areas like marketing, consumer research, economic psychology, welfare-economics, and economics. The most common interpretations obtained from various authors reflect the notion that satisfaction is a feeling which results from evaluation process of what has been received against what was expected, including the purchase decision itself and the needs and wants associated with the purchase (Armstrong and Kotler, 1996).

Many empirical studies have shown that customer satisfaction secures future revenues (Fornell, 1992; Bolton, 1998), reduces future transactions costs (Reichheld and Sasser, 1990), decreases price elasticity (Anderson, 1996), and minimizes the likelihood of customers defecting if quality falters (Anderson and Sullivan, 1993).

Customer loyalty is winning the confidence of the customer in favor of an organization such that the relationship becomes a win-win situation for both the organization as well as the customer. Customer loyalty is not a process that finishes with the customer joining the loyalty program but actually a process that starts with the customer joining the same. Customer loyalty is something more of what an enterprise must get from the customer. As opposed to what the name suggests, it is not just something that the customer has to build towards the enterprise.

Customer loyalty will be hard to get in times of a recession. At least harder than it was when the consumer had enough to spend. Small reasons will be enough for customers to turn away from putting money into a business. Customers will not put loyalty first but the price will be a major driving force. For now - the consumer confidence is so low – and will be influenced by immediate benefits. As such customer loyalty programs will need to adapt to quicker and possibly immediate awards to the customer. Lower prices as part of the loyalty program will definitely boost membership to the loyalty programs but this must be carefully communicated to the customer, to avoid perceiving company’s product as inferior compare to competitors offering. Therefore, discounts to customers must be treated separate from the benefits of lower price to loyal customers. Loyal
customers must be given a feeling that they are being treated specially, particularly with the ongoing economic recession. That is the key to keeping the customers with the business in these hard times. Customers need to be better informed now of the benefits that they are getting by belonging to loyalty program.

The power of customer loyalty is clear and compelling: It leads to more profitable growth. Loyal customers stay longer with companies that treat them well. They buy more of their products, and they cost less to serve. They recommend the companies to their friends and colleagues, becoming, in effect, a highly credible volunteer sales force. Investing in loyalty can generate more attractive returns than rolling out an ambitious new marketing plan or expanding line of company’s business. Loyalty can be of substantial value to both customers and the firm. Customers are willing to invest their loyalty in business that can deliver superior value relative to competitors (Reichheld, 1996). When they are loyal to a firm, consumers may minimize time expended in searching and in locating and evaluating purchase alternatives. Also, customers can avoid the learning process that may consume the time and effort needed to become accustomed to a new vendor. Customer loyalty is one major driver of success in e-commerce (Reichheld and Schefter, 2000).

It is a fallacy to assume that a customer is loyal just because he/she continue to buy from the company’s. There are many reasons why a customer repeats purchasing which have little to do with being really loyal. Moreover, loyalty means hanging in there even when there may be a problem because the organization has been good to customers in the past and addresses issues when they arise. It means that they do not seek out competitors and, when approached by competitors, are not interested. It also means being willing to spend the time and effort to communicate with the organization so as to build on past successes and overcome any weaknesses.

Customer satisfaction alone cannot achieve the objective of creating a loyal customer base. In theory and practice trust has come out to be an important antecedent of customer loyalty. While determining the imperatives of ‘how to win customers’ trust’ the service provider(s) must focus on both present and future time frame. The construct of trust contains belief in the brand or company, which provides the customers an assurance of positive outcomes not only for the present but also for the future.

It had been thought and research has found that by increasing loyalty as it is apparent that satisfied customer are likely to remain loyal to the service provider (Eriksson and Vaghult, 2000). However, research by Jones and Sasser (1995) has found that satisfaction and loyalty are not directly correlated, particularly in competitive environments. The findings shows that to achieve loyalty in competitive environments organizations need to ‘completely satisfy’ their customers (Jones and Sasser, 1995). Fredericks (2001) also points out that there is a big difference between satisfaction, which is a passive customer condition, and loyalty, which is an active or proactive relationship with the organization.

Furthermore, Coyles and Gokey (2002) found from their research that satisfaction alone does not make a customer loyal and that merely measuring satisfaction does not tell a company how susceptible its’ customers are to changing their spending patterns or jump ship to competitors with a better offering. They identify three basic customer attitudes, emotive, inertia and deliberative that underlies loyalty profiles. They have found that the emotive customers are the most loyal. Thus, it would seem that while satisfaction is an important component of loyalty the loyalty definition needs to incorporate more attitudinal and emotive components.

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